

MBS & TREASURY MARKETS

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MBS Recap: Have Bonds Found Their Post-Fed Footing?



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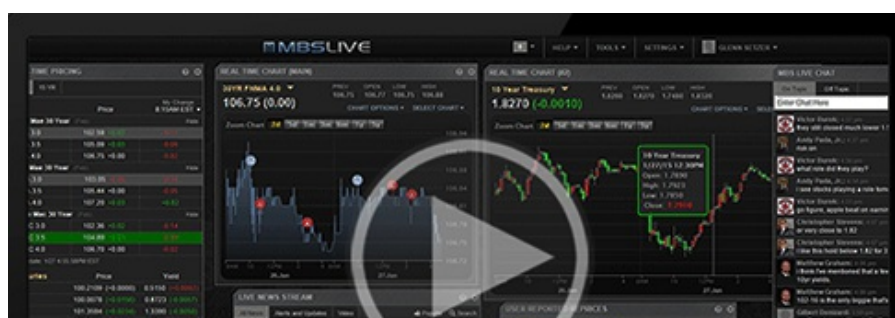
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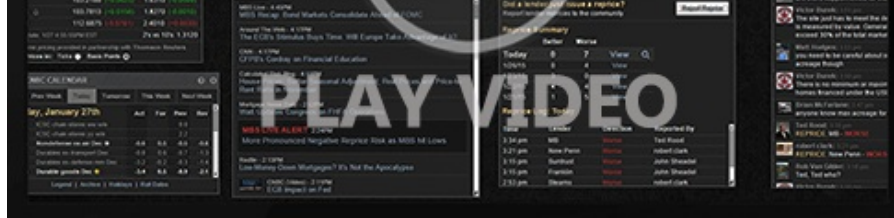


Have Bonds Found Their Post-Fed Footing?

MBS Recap | Matthew Graham | 5:13 PM

Looked at one way, bonds have been in a moderate selling trend since Fed day. Viewed through another lens, Fed day caused an isolated lurch toward higher yields and then we were generally sideways until yesterday's econ data caused another lurch higher. The common thread in each scenario is that bonds had been unable to find a reason to rally in any meaningful way. Amid such scenarios, we wait for such rallies to restore balance to the near-term outlook. Via weak results in private label econ data, a sharp morning selling spree in stocks (and perhaps some technical support seen as early as yesterday when 10yr yields topped out at 4.16), today provided that rally.





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MBS Morning

10:49 AM New Data Sources Bring New Inspiration

4:56 PM

Econ Data / Events

- - ADP Employment
 - 42k vs 25k f'cast, -32k prev
 - ISM Biz Activity (Oct)
 - 54.3 vs -- f'cast, 49.9 prev
 - ISM N-Mfg PMI (Oct)
 - 52.4 vs 50.8 f'cast, 50.0 prev
 - ISM Services Employment (Oct)
 - 48.2 vs 47.6 f'cast, 47.2 prev
 - ISM Services New Orders (Oct)
 - 56.2 vs 51.0 f'cast, 50.4 prev
 - ISM Services Prices (Oct)
 - 70.0 vs 68.0 f'cast, 69.4 prev

Market Movement Recap

- 09:53 AM Fairly sharp rally at 8:20am CME open with more buying as stocks sell off. MBS up 9 ticks (.28) and 10yr down 6.3bps at 4.097
- 01:56 PM very flat near strongest levels. MBS still up 9 ticks (.28) and 10yr down 7.6bps at 4.084
- 04:18 PM Still flat into the after hours session. MBS up 9 ticks (.28) and 10yr down 7.3bps at 4.088

Lock / Float Considerations

- Thursday's data-driven rally is more than enough to reinforce the support seen at Wednesday's weaker boundary (4.16% in terms of 10yr yields). In other words, if you were waiting for evidence that the recent selling trend has met sufficient resistance to return to a neutral lock/float stance, this was it.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
 - 4.48
 - 4.40
 - 4.34
 - 4.28
 - 4.19
 - 4.12
 - 4.05
- Floor/Resistance
 - 3.89
 - 3.97

MBS & Treasury Markets



MBS

30YR UMBS 5.0	+
30YR UMBS 5.5	+
30YR GNMA 5.0	+
15YR UMBS-15 5.0	+

US Treasuries

10 YR	4.085%	-0.076%
2 YR	3.557%	-0.077%
30 YR	4.681%	-0.059%
5 YR	3.682%	-0.083%

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